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The

Management

REVIEW



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COMMENT • DIGEST • REVIEW

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SUBCONTRACTING continues to present some of the major opportunities—and headaches—of the defense program. While companies awarded original contracts are contemplating the inconveniences, delays, and lack of technical skill that may be encountered in "farming out" defense orders, numerous small plants are making vague attempts to secure secondary and tertiary contracts. Some primary contractors (a notable example being the Kearney & Trecker Corp., of Milwaukee) have achieved outstanding results with subcontracting departments. Many small plant operators, too, are doing a great deal to help themselves—for example, publicizing their ability to take subcontracts, inspecting the plants of prime contractors, and pooling their resources to handle subcontracts too large for any one of them. Other realistic approaches to the problem of small-plant utilization are outlined on page 53 in an article abstracted from *The Iron Age* (Enlisting Small Plants for Defense).

THE less brains a salesman has, the more successful he will be—at least in some industries and types of selling—declares Jack Klein in an article on testing digested on page 61 (Some ABC's About Tests for Salesmen). Frequently more significant than mental ability in sales work are such personality traits as stability, dominance, aggressiveness, initiative, sales interest, and sales instinct. A brief review of tests for these characteristics and for mental ability is presented by Mr. Klein.

THAT brains are not at a premium in certain types of sales work is confirmed in a survey reported on by Bertrand Canfield, of the Babson Institute of Business Administration. According to this study, only one out of every 30 sales managers in the consumer-goods fields requires applicants for sales jobs to be college graduates. While 50 per cent require salesmen to possess a high-school education, one-third of the executives questioned will accept men for sales work even if they have not completed grammar school. The consensus of these sales managers was that college graduates lack the personal qualities and the knowledge essential to sales success in the consumer-goods lines. (Compensating the New Salesman—page 60.)

Current Comment

THE SACRIFICE FOR DEFENSE

IN time of war the necessary sacrifices must come through reduced standards of living and the reduction or elimination of the production of non-essentials, but the country must nevertheless be a going concern in order that defense efforts may be effective.

Unwise taxation can so break down the ability of the people to meet their responsibilities in peace or in war that it is better in the long run for government to be a little on the side of over-borrowing rather than of over-taxing while war is in progress. Again, the methods under which taxation is applied can of themselves be so disruptive that production of munitions can be seriously curtailed. For instance, basing taxation upon round amounts that may be earned by industry, rather than upon percentages of capital, is false in principle and is not only dangerous but leads to great unfairness.

The question arises as to how much more the people and their businesses and industries can pay in taxes and still have the country continue as a going concern. The solution to the question resolves itself, in large part, around the optional expenditures of the people—i.e., those expenditures which are not essential to enable them to live on a proper food and shelter basis and to carry on their necessary businesses.

If the funds allotted to optional purchases were paid to government in the form of taxes, this would increase the receipts of government by a little over \$11,000,000,000 on the basis of 1937 figures and less than \$1,000,000,000 more on the basis of 1940 figures.

Of the total expenditures for food of \$21,339,000,000, it is estimated that 8.2 per cent, or \$1,740,000,000, represents optional purchases.

In the case of housing, for which \$9,887,000,000 is expended annually, the optional total is figured at 17.4 per cent, which would yield \$1,725,000,000 in savings.

Housing operation, which costs \$6,240,000,000, can be reduced by 18.9 per cent, or \$1,177,000,000.

Clothing, for which \$7,675,000,000 is paid yearly, can be reduced by 20.8 per cent, or \$1,599,000,000.

The purchase of automobiles, amounting to \$6,603,000,000, can be curtailed by 25.9 per cent, or \$1,713,000,000.

Other reductions average around 20 per cent, although only 8.1 per cent is figured for tobacco while 43.3 per cent is estimated for education; but medical care, recreation, furnishings, personal care, transportation, reading and all other items run pretty close to 20 per cent. In the case of recreation, the reduction would be about three-quarters of a billion, in furnishings \$700,000,000, in medical care a little over \$600,000,000, while the other items average around \$200,000,000. The grand total is \$11,139,000,000.

If gross profit on such optional purchases averaged, we will say, 5 per cent, profits of those dealing in these items would be decreased by \$555,000,000. The taxes received by government would be reduced on the basis of \$555,000,000 in its various tax brackets. Such taxation, however, would be made up from profits on the production of munitions of all kinds, airplanes, ships, tanks, etc.

Should war come to us, requiring greater sacrifices, it is estimated that about five to seven billion dollars more beyond optional buying could be conscripted before the "practical minimum level of consumption for each income class" would be reached. However, it must be remembered that such drastic taxation would represent nearly the last act in war emergency.

These figures do not take into account increased profits before taxes that the defense program will undoubtedly create. The tax yield to government should, therefore, be greater for 1940 without any other consideration.

If the United States is drawn into war, the extent to which we will be able to preserve our institutions, with employment for our people, will measure our ability to recover from the effects of the war with a minimum amount of continued turmoil and human suffering. Our whole system of taxation should therefore be reconstructed in such manner that the maximum that can be paid to government without the development of diminishing returns can be reached. This means that all punitive forms of taxation should be eliminated, that taxation should be based on percentages of true income, that no taxes be paid where no earnings are realized, and that as large a proportion of the people as is practical be directly reached. The system should also be developed on a basis of such great simplicity that the amount due from each taxpayer could be ascertained with ease and certainty.

FRED I. KENT,

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THE MANAGEMENT INDEX

General Management

National Labor and Production Policies

IN making production and labor policies for the defense program, three questions of basic importance arise:

(1) Should we plan the defense program so as to produce the largest possible increase in the national income and to create full employment?

(2) Should we sacrifice national income in order to get defense goods for ourselves and Great Britain sooner and in larger quantities?

(3) To what extent and by what devices should the planning of defense production take account of the problems of shifting from a defense economy to a normal peacetime economy?

At the beginning of the defense program in July, 1940, there were about 9,000,000 unemployed in the United States. If expenditures in the peak year of defense demand are approximately \$8,000,000,000 for the United States and \$3,000,000,000 for Great Britain, the direct labor requirements of the defense program and of Great Britain will be about 4,200,000 men. This would leave over 5,000,000 unemployed.

For some years there has been a

serious maldistribution of labor between agriculture and other industries. Why should not the defense program be used to produce full employment and also to bring about a shift of 2,000,000 men from agriculture to other industries?

The idea is an attractive one. Undoubtedly large-scale production for defense is compatible with a considerable increase in many types of consumers' goods. But there is also competition between defense and non-defense production at many points which will limit our ability to raise our standard of living and to achieve full employment. This competition is aggravated by limitations of time. Because military exigencies must take precedence over economic considerations, we must expand defense production so fast as to prevent a properly balanced expansion of non-defense output.

Limited supplies of skilled labor will also retard the expansion of employment in non-defense industries. The Bureau of Labor Statistics estimates that about one-third of the labor required for the defense program will

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be skilled. It is probable, however, that under pressure from shortages of skilled men the defense industries will learn to operate with no more than one-fourth or one-fifth skilled labor. Even this conservative estimate indicates that our defense program and the British purchases will need from 800,000 to 1,000,000 skilled workers at the peak. A large part of the requirements will have to be met by using men who are now engaged on non-defense work.

Un- for er- on- m- de- ch- ur- ull- ag- 3e- ke- ra- uc- rly- ut-
The defense program will require large amounts of machines and equipment. This is the worst bottleneck of all. The necessity of using the machines and plants of a wide variety of non-defense industries for defense purposes limits the possibility of obtaining an expansion of non-defense employment.

It is likely that the badly balanced increase in output which our defense needs compel us to plan will generate an expansion of incomes faster than industry can produce goods unless something is done to prevent it. This is of fundamental importance in determining fiscal policy, hour policy, wage policy and investment policy.

What are the implications of the competition between defense and non-defense output for hour policy? Would a relaxation of the wage-hour law, which requires penalty overtime rates after 40 hours a week, reduce competition between the defense and non-defense production and help industry produce goods to match the rise in dollar incomes?

As far as the defense industries are

concerned, they are on overtime now or soon will be. Does the necessity of paying time and a half after 40 hours increase their wage bills and thus accentuate the tendency for the demand for non-defense goods to outrun the supply? It is likely that to some extent it does, but the net effect of overtime payments on payrolls is probably not great. The reason is that the payment of time and a half makes possible high weekly earnings without a change in base rates. To this extent, it will later facilitate the transition from a wartime to a peacetime economy.

The real problem of hour policy is likely to arise, not in the defense, but in the non-defense, industries. Where the factor limiting non-defense output is lack of raw materials, the 40-hour limit is a useful work-rationing device. But where the limiting factor is the inability of the non-defense industries to obtain equipment or key men, then the penalty rate is likely to create an artificial shortage of goods which will cause many prices to rise.

The conflict between defense output and non-defense output is important in determining national wage policy. If shortages of raw materials, equipment and key men limit the output of consumers' goods, higher wage rates will do little to raise the workers' standard of living. Their main effect will be to produce a higher cost of living. Wage increases should be limited in general, therefore, by the productive capacity of the non-defense industries.

This does not mean that no wage increases are called for. The process

of raising the very lowest-paid men should still go on, though undoubtedly at a slower pace. Some changes in rates will be necessary to attract men into new communities and from steady jobs in non-defense industries into jobs which are not expected to last for more than several years. If an endless spiral of increases is to be avoided, however, the non-defense industries should be encouraged, not to bid against the defense industries, but to replace losses by training and upgrading more men. And the defense industries should be encouraged to train and upgrade rather than raid other employers.

If high wages in the defense industries are to serve the purpose of compensating the workers for the temporary character of the jobs, savings plans should be pushed in these industries. And where employers find it advisable to make wage concessions, the employees should be encouraged to accept the concession in the form of a bonus, with unchanged base rates, the bonus not to be paid out currently but to be deposited in a reserve against unemployment.

The amount of post-war employment that will be provided by given cost-price relationships depends upon

the rate of technological discovery. The difficulties of post-defense adjustment will be substantially reduced if the rate of discovery is high. Undoubtedly experience with defense production will yield considerable knowledge that can be applied in non-defense industries. Since time is required to bring discoveries to the production stage, it is important that thousands of concerns start at once on greatly enlarged research programs.

The shift from defense to normal activity will be facilitated by the unsatisfied needs which will accumulate because of the necessity of placing output for defense ahead of non-defense production. If in addition we do a good job of managing prices and cost-price relationships during the emergency, of stimulating technological discovery, and of making the ownership of American industry attractive, the transition from defense to non-defense production will become the means of bringing us closer to full employment and of greatly raising the standard of living.

BY SUMNER H. SLICHTER. *Proceedings of the Academy of Political Science*, January, 1941, p. 69:18.

Little Vitamin Pills Do Big Things

CONFRONTED with long, severe winters that previously had taken an extremely heavy toll from its productive man-hours, Continental Machines, Inc., of Minneapolis, recently inaugurated a unique project designed to keep its skilled men "on the job." Having found that vitamin capsules build up effective resistance to colds, the management has begun to ration these capsules to the workers.

At 10:30 each morning the capsules are distributed in paper cups on which is imprinted the caption, "Your Health." Under this heading appears a short, snappy paragraph on some important phase of health preservation.

The cost of the project will run around \$500 for a period of 90 days for a force of 400 men, but it is expected to pay for itself several times over.

—LEIGHTON WILKIE in *Steel* 1/13/41

Improving Stockholder Relations

WHILE a number of concerns have long recognized the vital importance of mutual understanding between shareholders and management, the desire of management to create a loyal, informed body of stockholders is steadily increasing. A growing list of companies is striving to make the communicative mechanism between management and stockholder smoother and more effective.

In order to find out how companies are trying to better their relations with stockholders, 76 concerns were recently consulted by the Policyholders Service Bureau. These companies represent manufacturers of both consumer and heavy goods, service industries, retailers and public utilities.

Practically every company consulted whose stock is widely held is considering methods of improving its relations with its stockholders, and most of them have adopted various means to this end. These means can be grouped under five general heads: (1) those designed to welcome new stockholders; (2) those designed to keep stockholders informed about the company's products, developments, and financial status; (3) those whose aim is primarily to serve the stockholder or solely to create good will; (4) those whose aim is greater stockholder participation in forming company policies; and (5) those whose aim is to retain the good will of the one-time stockholder who has sold his stock. To achieve these ends more expeditiously, a few companies have set

up special machinery, such as stockholders' relations departments and stock transfer departments.

A number of companies believe that the first step in making a stockholder feel a member of the corporate family is a friendly personal welcome from an officer of the company. This generally takes the form of a letter of welcome, sometimes accompanied by a booklet describing the company, its products and activities. An occasional company sends the new stockholder a gift box of its products.

Thirty-three of the 76 companies (43 per cent) greet each new stockholder with a letter of welcome. Nearly a third of the companies send special booklets introducing the company and its products to new stockholders with the welcoming letter.

The growing awareness of the opportunity offered by the annual report is indicated by the fact that over two-thirds of the 76 companies stated that they were giving constant thought to methods of making their reports more interesting and informative.

About one-third of the companies surveyed send reports quarterly or semi-annually to stockholders—usually quarterly. When the times of mailing quarterly reports and dividends coincide, the reports frequently are sent as an enclosure with the dividend check.

Nearly a fifth of the companies take special problems or information to their stockholders directly by letter. These letters may tell of the business

and its prospects in periods of rapid change, describe new products, point out the size of government expenditures, or discuss various special problems.

Dividend enclosures are being used by more than half the companies consulted to build stockholder good will or to turn stockholders into customers. They may be sent without additional postage, and as there is no danger that a dividend envelope will not be opened, they are almost certain to be read. Apart from formal notices of payment and change-of-address blanks, these enclosures may bring information concerning the company's products or some special message. Illustrated folders showing the use or attractiveness of products are sent out from time to time by most of the companies.

To compensate for the inconvenience of the location of the annual meeting for many stockholders, consideration is being given to regional meetings of stockholders by a number of compan-

ies. During the fall of 1939 and the winter of 1940, General Mills, Inc., held regional meetings in 15 key cities.

Recently some corporations have shown interest in securing the participation of stockholders in control and in policy-forming. A number of companies have made a place on the proxy for shareholders to vote either for or against an auditing firm proposed by the board of directors or in a few cases for any auditing firm they want.

Management also strives to keep the good will of the stockholder who has disposed of his shares. In a number of companies the president or chairman—or occasionally secretary—writes the stockholder whose name has been removed from the stockholder list, expressing regret and at times inquiring whether the sale of stock was caused by any dissatisfaction with the management of the company. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York. 64 pages. Gratis.

Where Wages Went in 1940

WHAT workers did with their incomes in 1940 is suggested by a survey of spending for the first 11 months. Up to December 1, consumers had bought 1,000,000,000 gallons more gasoline, 600,000 more automobiles, 25 per cent more entertainment, 13,000,000 gallons more liquor, and 1,000,000,000 more cigarettes than in the comparable period in 1939.

Soft-drink manufacturers were reporting new sales records; candy sales were up. Out of more pay envelopes and fatter pay envelopes, workers had bought 25 per cent more theater tickets and admissions to other amusements; 25 per cent more radios and radio equipment; many more firearms and much more ammunition.

In the burst of self-indulgence in pleasures and luxuries, thrift was not entirely neglected, assures The Northwestern National Life Insurance Company. Total savings in banks were more than \$700,000,000 higher, or 2½ per cent above the 1939 figure; residential building, chiefly small homes, was well ahead; sales of ordinary life insurance were up only approximately 1 per cent, but industrial insurance (bought chiefly by wage earners and low-income groups) expanded 6 per cent in sales volume for the first 10 months of 1940 compared with the corresponding period of 1939.

—*Nation's Business* 2/41

Office Management

Getting Out New Office Forms?

THROUGH the office supply room every year pass hundreds of dollars worth of business forms for use in office, warehouse and plant. All too often this room is a shambles—unopened packages piled haphazardly in a corner, forms spilling out on the floor from bundles which have been ripped open and partly used. Identification tags are frequently missing from the forms actually stored on the shelves, while dust and bad light obscure the tags that remain.

In organizations where the supply room presents this picture, form control is obviously inadequate or nonexistent. Substantial sums of money are lost yearly—not merely the direct loss on printing but indirect loss in operating efficiency. Unless form control is effective, operations requiring use of forms may prove inordinately costly. In many offices, employees use old forms for scratch paper year in and year out—an inexcusable excessive outlay that continues indefinitely because forms are prepared casually or discontinued prematurely.

Where form control is handled efficiently and economically, office managers reduce it to two essentials: (1) the preparation of new forms and revision of old forms; (2) care of old forms. Some office managers appoint form committees whose job it is to pass upon new forms and revisions,

take adequate care of old forms, and bury the dead ones. Such committees usually comprise the office manager, purchasing agent, and head of the department requesting the new form.

After a form has been passed for printing, the question of adequate care arises. In one concern, the office manager makes out a large envelope for each form, on the outside of which is written its name, the name of supplier, the form number, date of original order, where stocked (whether in an office supply room, plant or warehouse), the quantity ordered, price, size, binding, paper, dates of reprints, etc. Inside the envelope are placed a specimen of the form, bids from various suppliers and other pertinent data (e.g., suggestions for improvement). Envelopes are filed in numerical order in the supply room so that they can be referred to quickly. An alphabetical cross-reference is kept to facilitate search where the form number is not known.

Some office managers estimate consumption per month so that they can predetermine reprint orders and eliminate out-of-stocks.

Where form control is lax, anyone in an organization may pick up a supply of forms and go his way. In most organizations, contrariwise, materials and tools are kept under close surveillance by some designated authority. Similar precaution should be taken in the case

of forms. A designated clerk should know where the forms are and control withdrawals and additions to supplies. This will prevent cluttering up the supply room with discontinued forms. However, before a form is disposed of, the proper authorities should approve its discontinuance.

Systematic form control enables the custodian of forms to determine periodically whether forms are being properly used, if adequate stocks are on hand, and where they are located.

BY FRED MERISH. *The Office Economist*, Fall, 1940, p. 6:2.

Labor and the 7-Day Week

BOTH President Roosevelt and William S. Knudsen have suggested the desirability of seven-day week operations of machines—but not the seven-day week for labor—in the interest of speeding up industrial operations. In his recent address before the National Association of Manufacturers, Mr. Knudsen deplored that many plants are now idle from Friday night until Monday morning.

In some industries labor and the unions have been accustomed to continuous operations, with union contracts making due allowances for Saturday and Sunday work without payment at higher than normal rates when the workmen involved have other days off during the week. This is not true, however, of union contracts in industries which ordinarily only operate five or six days a week with complete or virtually complete shutdowns on Sunday and oftentimes Saturday.

A study made last year by the National Industrial Conference Board, covering 114 union agreements in a wide variety of industries, showed that 53 provide for time and a half for Sunday work, 34 require double time, two require time and a third, one sets up time and a quarter, one requires equal time off, and others with clauses on the subject have varying arrangements.

Payment of time and a half for hours worked in excess of 40 hours a week is of course fixed by law for industries operating in interstate commerce, and this also is provided in most union contracts. There is general agreement that this would be difficult to change. Opinions differ, however, as to the willingness of unions to waive extra pay for Sunday work provisions, even though the 40-hour rule was adhered to.

From the manufacturer's standpoint, seven-day operation would require extensive rescheduling of hours and in some cases might be impossible, particularly where skilled-labor shortages exist. Industries which do operate continuously usually set up rotation arrangements so that a man may work on Saturday and Sunday for a while and then have those days off for a few weeks. In any event, such scheduling of men oftentimes becomes a very complicated matter in large plants and would present a multitude of new problems in industries where operations have been carried out on a five-day week basis.

—*The Wall Street Journal* 12/19/40

► IN THE last war, camouflage was something fairly simple. The object to be disguised was just streaked with paint until it somehow melted into the surrounding terrain, and that was that. Nowadays camoufleurs are a lot more ambitious. Take the case of the North American Aviation Co., which is building a new \$6,000,000 plant in Dallas, Texas. Looking ahead to the day when reconnaissance planes will be soaring over Dallas, North American plans to camouflage its new plant by painting an 18-hole golf course on the roof, complete with artificial shrubs and trees.

—*Business Week* 1/18/41

Personnel

Foreman Compensation

MOST executives feel that if longer working hours under forced-draft operations prevail in the near future they will have to protect the foreman's prestige by providing some method of supplementing his income to keep pace with that of the workers whom he directs. There is marked interest in 1941 in forestalling a recurrence of conditions such as existed in 1929, when, according to one executive, "working foremen were taking home more per week than salaried foremen, and skilled workers were taking home more money than the working foremen."

Several companies have reported formal agreement upon a definite percentage, such as 15 or 20 per cent, that is to be considered the minimum differential between a supervisor's income and that of the highest-paid worker under his direction.

A 20 per cent supervisory pay differential may prove inadequate when employees are required to work many hours of overtime. For example, a worker whose regular rate is \$1.00 per hour would have to work only 5½ hours beyond the 40-hour standard required by the Fair Labor Standards Act in order to equal his supervisor's pay if the supervisor, not being paid for overtime, has a pay differential of only 20 per cent.

If long working hours become the

rule during the rearmament program, it seems that some overtime adjustment plan will be necessary for foremen ordinarily exempt from the time-and-one-half rule. There are indications that some companies have already adopted such measures. Seven companies out of 35 reporting on this policy in a recent Conference Board survey are paying "overtime" to foremen usually considered exempt from such payments. Of 20 companies reporting their overtime policy relating to assistant foremen, 10 are paying overtime. The salary of these assistant foremen is on a weekly basis.

Night Bonus: Many companies that have multiple shifts pay their workers higher rates on the night shifts than on the day shifts, usually 5 or 10 per cent more. This policy is being extended in some companies to include foremen. Of 15 companies reporting that a night-shift bonus is paid to workers, four stated that a similar bonus was now being paid to foremen. The lowest bonus reported was 5 per cent, and the highest 20 per cent.

Foremen's Bonus: Twenty companies out of 50 reporting have plans for a foreman's bonus in effect as a means of raising their income level in relation to that of the workers under them. In addition to the effect of widening the pay differential, other advantages are claimed for well-designed foremen's bonus plans.

There is no evidence that the income of foremen in companies that have adopted foremen's bonus plans is, in general, higher than that of comparable foremen in companies that pay their foremen straight salaries. In fact, the highest foreman's salary mentioned in this survey is a straight salary of \$100 per week, paid by a machine-tool company to the foreman in charge of final assembly.

Trend in Foremen's Income: There are few statistics on foremen's earnings that show their relative standing today as compared with previous years. Some companies, however, were able to provide information of this type, and a comparison of basic rates of three department foremen in a machine-tool company in which the foremen have been paid on an hourly basis during

the entire period 1929-1940 shows increases in basic hourly rates varying from 24 to 29.2 per cent. These are typical of the increases mentioned by a number of companies.

The Temporary Supervisor: While formerly it was often the practice to pay the average of their past earnings to workers who were elevated temporarily to supervisory status, today an increasing number of companies are paying immediately either a definite amount per hour above past earnings or a definite percentile increase. Such added earnings are dropped upon their return to non-supervisory work. One company reports that "a section leader appointed temporarily gets 10 per cent additional pay for supervisory duties."

The Conference Board Management Record, January, 1941, p. 8:2.

Physical Examination for Employees

WITH the rise of labor unions and the establishment of property rights in a job, managements of even small companies are showing increasing interest in physical examinations for new employees. Such examinations provide a background and stimulus to preventive medical work.

After management has determined upon physical examination of all new employees, a working arrangement with a local physician may be made. Obviously, to conserve time, the doctor's office should be as close to the plant as possible. A physician who has conducted examinations for other indus-

trial concerns or who examines applicants for life insurance companies will probably give the best attention to this kind of work.

Having selected the doctor, it must next be decided what physical factors are to be considered. If the sole object of the examination is to weed out the unfit, the examination blank may include only those items on which an unfavorable finding would cause rejection. But if a broader purpose for examination is accepted, including the desire to improve the health of future employees, then the examination must cover conditions bearing only indirectly

upon the acceptance of the applicants.

The items to be examined should be set down on a printed form to be used by the physician. Assistance in selecting a proper examination form can be obtained from such organizations as the National Safety Council, the American Medical Association, and the Metropolitan Life Insurance Co. The nature of the company's business should, of course, be taken into account in designing the form. If a plant is particularly hazardous, requiring keen eyesight for safety, this factor should be stressed. Different occupations in the same plant require emphasis on different factors. For example, any indication of heart trouble would cause immediate rejection of an applicant for a job as crane operator, whereas this deficiency would not be considered so serious for a switchboard operator.

A standardized list of deficiencies that will cause rejection should be formulated. To compile this list requires a knowledge of medicine and of the degree of impairment to a man's efficiency each ailment will cause—in addition to a thorough familiarity with the physical requirements of every job in the plant. This task consequently seems to call for the counsel of both doctor and plant management. Obviously, deficiencies that will never result in impairment of ability or in the untimely death or retirement of an employee should not be listed. Unneeded restrictions sometimes eliminate desirable workmen and boost employment department costs.

One mid-Western company lists the following deficiencies which it deems

important enough to cause rejection:

1. Anemic, underweight, overweight, and generally unfit physically.
2. Active or recent active tuberculosis.
3. Mental deficiency.
4. Heart disease.
5. Inguinal (direct or indirect), femoral, ventral, abdominal or post-operative herniae, even though small.
6. A strong tendency to hernia.
7. Undescended testicle.
8. Defective vision.
 - a. Drivers (including motor tank truck drivers, salesmen, etc.) must have a minimum central visual acuity of 20/40 in both eyes with or without glasses. (An applicant with 20/20 in one and not less than 20/50 in the other eye with or without glasses will be accepted.) They must also have perfect color vision.
 - b. Warehousemen and the like must have a minimum central visual acuity of 20/40 in one eye and 20/100 in the other eye with or without glasses. They should also have good color vision.
 - c. Office employees must have a central visual acuity of not less than 20/30 in one eye and 20/120 in the other eye with or without glasses.
9. Defective hearing.
 - a. Drivers must have normal hearing, i.e., 20/20 in both ears.
 - b. Warehousemen, etc., must have a minimum of 20/20 in one ear and 5/20 in the other ear.
 - c. Office employees must have a minimum of 10/20 in one ear and a minimum of 5/20 in the other ear.
10. History of epilepsy.
11. Active gonorrhea, syphilis or neurosyphilis.
12. Marked crippling, either of body, arms, legs, hands or feet, due to previous accidents, operations or diseases.

13. History of previous attacks of rheumatism, particularly if frequent, which have left more or less stiffness of joints.
14. Skin rashes of any kind which are infectious or unsightly, or unsightly scars from operations. Bad varicose veins or history of varicose ulcers.
15. Applicants with high blood pressure or kidney disease should be rejected. Blood pressure should be taken and urine analysis made.

Many of the reasons given in justification of physical examinations for job applicants apply with equal force to regular physical examinations for present employees. Employees' objections can be held to a minimum if it is generally known that everyone in the organization from the president down must take the examination. BY EUGENE CALDWELL. *The Iron Age*, August 29, 1940, p. 39:2.

Recruiting and Training the College Graduate

AT the Westinghouse Electric & Manufacturing Company, every salaried employee is identified under one of several general classifications: unskilled, skilled, interpretative, creative, executive, administrative and policy. The first three are within the so-called clerical group, and the last four are identified as technical employees. A great majority within this latter classification become associated with the organization through its graduate student training plan.

Under this plan the need for an extension of the technical personnel is studied each year. Quotas built up from surveys within the divisions and departments form the basis for a recruitment program. It is the company's policy to select and train for technical positions only as many as it is expected will be placed within the organization at the end of training.

Appointments to the Graduate Student Course generally follow interviews on the campus. The interview is

used to classify the students' general interests. First assignments are usually made during the summer months following graduation, and formal training begins in the fall.

Training includes: (1) orienting and trial assignments in the shop, office and laboratory sections; and (2) classroom or formal training.

First assignments are for the purpose of orientation. Later assignments are in a logical sequence, and point to and train for a particular position.

Formal training is divided into:

- (a) General Training School
- (b) Engineering School
- (c) Design Schools.

General Training School is for commercial, works management and other candidates. Engineering School and the Design Schools are a part of the preparation for engineering and research positions. Formal training programs last, generally, from seven to 12 months, but in certain instances

a two-year program of classes and assignments is followed.

Formal training programs for engineering, sales, works management and other candidates include not only conferences on technical subjects but meetings with company leaders on matters of organization, finance, engineering coordination, legal and patent, and industrial relations. Classes in distribution problems are provided for those who are to fill commercial positions, and works management problems are discussed in the group in training for positions in that field. The seminar provides training in the conduct of meetings and gives opportunity for experience in public speaking.

The consummation of the training

plan is the placement of the graduate student in a regular salaried position. As each new technical employee begins his first productive effort, he accepts responsibilities in relation to his ability and experience. Instruction and guidance continue under the leadership of senior associates who have had a similar experience and realize the benefit of friendly counsel.

The principle of "self-determination" prevails in the plan. It is the company's belief that the employee can go farther in advancing himself and in serving his organization if his work and surroundings are of his own choice. BY J. H. BELKNAP. Report of Sixteenth Annual Meeting of The American College Personnel Association, p. 59:3.

AMA Service for Drafted Employees

▶ SEVERAL MEMBERS of the American Management Association have requested that the AMA send its periodicals to young men who have been drafted under the Selective Service Act. Recognizing the importance of keeping these men aware of developments in industry and the world of management, the AMA wishes to announce that it offers its three regular periodicals to conscripted employees at half price.

▶ These periodicals are: 1. THE MANAGEMENT REVIEW; 2. PERSONNEL (quarterly); 3. BUSINESS CONDITIONS & FORECASTS—AMA NEWS LETTER.

▶ Subscriptions to these publications, which are customarily offered only to members of AMA, are: \$5.00 per year for THE MANAGEMENT REVIEW; \$2.00 per year for PERSONNEL; and \$3.50 per year for BUSINESS CONDITIONS & FORECASTS. Conscriptees, individually or through their former employers, may subscribe to one or all of these publications at half price. Companies or individuals interested in this proposal should send complete information, including the name of the conscriptee, the camp at which he is stationed, and his length of service, to the Editor, American Management Association, 330 West 42nd Street, New York, N. Y.

The Walrus Speaks

PRODUCTION data for the multitudinous products of American manufacturers during 1937-1939 are now becoming available through the Biennial Census of Manufactures. Although the data are too old for use in guiding current production rates, they are invaluable for estimating long-term trends. The period 1937 to 1939 is particularly significant, for these years may be the last for some time in which free economic development, rather than wartime pressure, dominated productive activity.

Many shifts within the chemical industry appear as confirmation of the results predicted from technical developments during the period. The continuing uptrend in use of anti-knock fluid for gasoline is revealed by a 35 per cent increase in production of bromides. "Other organic chemicals," including formaldehyde for plastics, continued their uptrend with a 57 per cent rise in value of production in this biennium.

Value of "ethical" drugs and medicines, those "not advertised to the general public, but sold to or prescribed by physicians," rose 26 per cent. Perhaps the most notable individual increase was that of 30 per cent in value of vitamin products.

The radio industry is tending toward more sets and cheaper ones. The number of receiving sets produced rose 41 per cent between 1937 and 1939, and the share of the sets priced not over \$11 at the factory increased from 17 to 47 per cent. The birth of a new branch of the industry was statistically sanctified by the census in reporting for the first time the number of television and facsimile receiving sets produced—4,091 in 1939.

The trend toward better living continued, led by such items as venetian blinds (up 76 per cent), photographic goods (up 12 per cent), and artists' materials (up 46 per cent). More pianos were produced, though the increase was in the newer small sizes, and the production of electrical musical instruments, such as pianos and organs, was reported for the first time at over \$2,000,000.

In the automotive field an outstanding shift was the increasing popularity of the truck tractor-trailer combination. Output of truck tractors rose 140 per cent, and the number of semi-trailers increased 25 per cent.

—*Industrial Bulletin of Arthur D. Little, Inc.* 1/41

Vending Machines Pay for Funeral Flowers

TO replace the usual collection for flowers whenever an employee or member of his immediate family becomes ill or dies, a special fund has been set aside at the Dumore Electric Company, Racine, Wis. The fund comes from the profits of five dispensing machines installed in the plant. Two candy machines, two soft-drink machines, and one milk dispenser earn \$30 to \$40 each month, more than enough to take care of these emergencies. Surplus profits are applied to a fund for the annual summer picnic.

Notice is posted on the bulletin board near the time clock of the death of any employee or member of his immediate family, announcing a definite time in the evening for plant members to visit the home and pay their respects. The management finds that a larger group of employees turns out when a definite time is set. Before this procedure was started, only a handful of friends appeared at a fellow worker's home at such times of bereavement. Many more showed interest in coming but they "never got around to it." Employees have frequently expressed their appreciation of the new routine.

Another gesture of good will is the birthday greeting, signed by Dumore's president, which is sent to each employee in factory and office on his or her birthday. Birth dates are taken from the social security cards and set up in a special index in which the signed cards are placed.

—*American Business* 12/40

Production Management

Enlisting Small Plants for Defense

HOW can small plants be brought into the defense program as secondary contractors? Is it necessary that they be brought in? Can big business alone handle the job of defense goods production? Must industry develop its own plan of "lease-lending" machinery? To some of these questions defense leaders are getting slow and painful answers.

Large companies holding original defense contracts are contemplating the headaches of doing business with scores of small suppliers who might, to the large concerns, be complete "strangers." They are thinking of the inconvenience, of delays in deliveries, of specification troubles, of shortages of materials, tools and skilled men, of lack of credit, of lack of technical experience.

And small contractors, still for the most part shut out of defense contracts, all over the country are clamoring for secondary and tertiary defense orders for their idle or partly idle plants and employees.

Here and there in industry, efforts to solve the complicated problem of small plant utilization are getting results. Out of the generalities are coming realities, such as the subcontracting plan set up by the Kearney & Trecker Corp., of Milwaukee, for meeting the great demand for milling machines.

Kearney & Trecker, rushed by large orders for milling machines, has established an Outside Work Department

to handle its 70 subcontractors. The task of handling subcontracting was too great to be loaded on the company's normal, peacetime departments.

Subcontractors for the manufacture of the Kearney & Trecker milling machines came from four sources. They are (1) the company's list of customers, (2) its list of dealers, (3) its other friends, and (4) volunteers.

When the Kearney & Trecker production department calls on the Department of Outside Work for aid, the wheels of a highly organized subcontracting department begin to roll. The Outside Work Department digs into its file in a search for outside plants capable of doing the job. Naturally the Kearney & Trecker Corp. can't find "stranger" plants making milling machines or parts under its own cost conditions. In plants of all prospective subcontractors there are "major and minor" operating factors. Certain plants may be in a better cost position when grinding, turning or milling or some other specific operation is called for.

Wherever possible, the work to be done is broken up into pieces and each piece is allocated to the plant which is best equipped to do the job and *which can make a fair profit.* (Acknowledgment of the small plant's right to a profit rests at the heart of the K. & T. subcontracting plan.) The selected small (large in some cases)

plant must be able to guarantee that it will meet the K. & T. schedule, since that is most essential.

Organization of the Kearney & Trecker Department of Outside Work presents an interesting setup. A coordinator gears the department to the main organization. Under him are six divisions which he considers almost equally important. These are correspondence, engineering, progress, inspection, shipping and receiving, and purchasing.

The inspection division in the K. & T. Department of Outside Work includes inside inspection—of the parts and complete milling machines coming to the Milwaukee plant for a final test—and outside inspection. Progress reports from subcontractors are a vital part of K. & T. plan, and periodic inspections help to maintain delivery schedules.

The Kearney & Trecker plan of subcontracting has been selected as unique by the War Department. Other companies, machine-tool manufacturers or not, may be able to profit from this concern's experience.

* * * *

The small company which desires subcontracts must understand its own capabilities in the matter of plant capacity and personnel. The next step is to publicize fully its capacities and its problems.

If a small business man wants subcontracts, he should get acquainted at banks on a defense basis. While he may not need to borrow money now, the time may come when he will need

cash to expand his plant for making defense goods.

He should provide a complete descriptive list of his equipment in seeking subcontracts, and get a complete list of the primary contractors with whom he may do business. Much correspondence from small companies to the primary contractors is vague and highly indefinite.

The small industrialist should decide what his plant is best equipped to do and provide full information to the prime contractor. At the same time, this information should be given to the district government procurement office (which in many cases will be the Ordnance District Office of the War Department) and to the Federal Reserve Bank or branch bank representative who has been designated by the National Defense Advisory Commission to coordinate the efforts of small business men to obtain defense business and the efforts of prime contractors to get the assistance of these small business men.

Information offered by the prospective secondary contractor should include the present rate of operations of his plant or plants. Naturally, plants now idle or working only part-time will, other things like equipment and location being equal, be high on the list of factories to be brought into the defense picture.

The head of the small plant should list the number of various skilled employees on his payroll and should provide the district procurement offices for the various government agencies and

the Federal Reserve Bank small-business representative with a prospect list of prime contractors with whom he might do business.

A plant may be operating at 100 per cent of capacity in the opinion of its management but be partly idle from the viewpoint of national defense. If a plant getting out its completed products at a rate of 100 per cent includes a shop with a battery of machine tools operating only eight hours a day to fill the plant's needs, the plant is not operating at capacity from the standpoint of defense.

Among other steps which are likely to be taken is the use of plant visits. The prospective subcontractor must study the products of prime contractors and determine what parts can be pro-

duced or what processes be carried on in his own plant. Wherever possible, he or his representatives must get into the plants of the prime contractor, to note operations that he can perform himself, parts that he can make, short cuts that he can take in his own production.

If the large companies in each of the scores of industrial districts in the United States were to permit inspections of defense production in their own plants on a mass scale, say by hundreds of small makers of metal products, one step toward successful utilization of America's small-plant facilities in defense would have been taken.

BY JAMES A. ROWAN. *The Iron Age*, January 30, 1941, p. 29:5.

Safety for Five Hundred

PLANT executives employing 500 men or less are inclined to steer away from organized accident-prevention work. One says his company is too small. Another argues that his own accident problem doesn't amount to much. Still another is secure in the knowledge that his insurance company foots the bill for accidents. Most of these executives fail to realize that even in medium-sized plants a flexible safety program will more than repay its cost through reduced accident expense and increased efficiency.

In organizing an accident-prevention program for a medium-sized

plant we must first consider the working environment. The factory buildings and machines must be made physically safe, sanitation must be maintained, dangerous processes must be safeguarded or altered, special personal protective equipment must be provided, and every possible physical cause of accidents eliminated. This is achieved by using the recommendations of various committees; by having the engineering department check plans and specifications for proposed new construction or new processes; by having prospective purchases checked for safety before contracts are signed; by accepting safety sugges-

tions from foremen and workmen; and by taking advantage of the expert advice available from the state department engineers and insurance and local safety council engineers.

Training men to be safe workers is more difficult than creating a safe working environment. This problem is attacked in two ways: first, by careful selection of employees; and second, by training the employees in safe methods. In selecting employees, advantage should be taken of the information to be gained by a complete physical examination before a prospective worker is finally accepted for employment. The person responsible for hiring should check the applicant's past experience. His past accident record, too, should be checked, for a man who has developed a bad record in one plant may do so in another.

The safety training of the employee is a never-ending process. His introduction to safety work should start with his first interview. An explanation of the company's safety policy should be given by the personnel man or the person responsible for hiring new men. The accepted applicant should be interviewed by the man in charge of safety and thoroughly instructed in the general safety rules.

His department foreman, when assigning work, should thoroughly instruct him in the exact way the job is to be performed, stressing safety throughout. The hazards of the work should be explained, and the reasons for safety rules should be discussed.

Supplemental aids that help to

make men safe workers include company rule books, additional personal instruction by the safety man, membership on safety committees, safety magazines made available for their use, posters, payroll inserts, general safety meetings for all employees, and personal health instruction by the nurse or plant doctor.

In many cases the plant will not be large enough to support a separate personnel department, a nurse, a plant physician, or some of the activities suggested. This makes little difference in the actual operation of the program, since these functions are usually taken over by individuals whose main jobs are entirely different.

Management must go further than furnishing the impetus to the program; it must take an active part in its functioning. This may assume the form of attendance at committee meetings, bulletins and letters on safety subjects over the signature of company officials, and provision of physical safeguards.

The decision to engage in organized safety work should be followed by designation of an executive to be responsible for safety. It should be his duty to initiate the program and to keep it running smoothly thereafter. He should report directly to the highest plant executive, and should have sufficient authority to enforce the elements of the plan.

Next in order is the determination of the specific safety needs of the plant. This is accomplished by a thorough analysis of past experience to

determine *where, how and why* accidents happened. At the same time, a system of records should be installed that will make it possible to analyze the accident situation more completely.

The analysis of past accidents should be supplemented by a thorough inspection of plant and equipment. The facts obtained through these investigations will indicate the points on which greatest emphasis must be placed.

We are now in a position to organize the operating committees. These are the General Safety Committee, the Foremen's Safety Committee, and the Inspection Committee.

The first of these is the policy-forming group in matters affecting plant safety. Its membership may vary from four to any greater number, but it should always include an executive, a foreman, a worker, and the man in charge of safety. The safety man acts as secretary for the group. Meetings should be held at regular intervals, usually once a month, and records should be kept of the proceedings. The principal duty of this committee is to review the plant safety program.

The Foremen's Safety Committee is the working committee that applies the elements of the plan directly to the problem. The membership is composed principally of foremen, but it is always desirable to have several workmen in the group. The safety man acts as secretary of this committee also. The principal duties of this committee are to review all accidents and to check the corrective action taken by the foreman in each case.

The Plant Inspection Committee consists usually of a foreman and two workmen who make weekly or monthly inspections of the plant for the purpose of discovering and having corrected unsafe conditions and practices. The membership of the committee should be rotated at three-month intervals, and the schedule should be arranged so that no more than one man is changed at a time.

The foreman is the key man in the program. He, like management, must accept the responsibility for all accidents which occur to men under his direction, just as he accepts responsibility for the quality and quantity of material produced by those men. By JOHN M. ROCHE. *National Safety News*, December, 1940, p. 26:5.

Union Wages in Printing Trades

THE average union wage rate per hour for book and job printing in 72 cities on June 1, 1940, was \$1.131 and for newspaper work \$1.331. Full-time union hours averaged 39.5 per week under book and job agreements and 37.5 under newspaper agreements, with time and one-half almost universally specified as the rate of pay for excess hours.

—*Monthly Labor Review* 12/40

Controlling Salesmen's Plant Visits

THERE are special instances when it becomes necessary or desirable for the industrial salesman to contact production or technical executives or to observe operating conditions in the plant of a prospect. In theory, such contacts should be made through the purchasing department. The discretion and decision as to the necessity of admitting salesmen into operating departments is a part of the Purchasing Agent's responsibility.

With the informality characteristic of American business, that procedure has not always been strictly observed. But there has been evidence for some months past, even before the rigid control made necessary by the defense program, that the theory is rapidly becoming a fact. This observation is supported by a study of procedure in 140 representative organizations.

Of the 140 companies reporting, 11 have a definite rule against the admission of salesmen into plant departments, and one has the regulation that while regular salesmen covering the account are not permitted in the plant, their sales engineers, metallurgists, and other special representatives of sales departments may be admitted, for reason and with proper authorization. In addition to these, five companies restrict access to certain departments, and several concerns which are now engaged on defense contracts require the authorization of the Army or Navy Department inspector for any visits to the plant.

Ten companies state that permission to enter the plant is rarely granted, and others indicate that it is held to a minimum. In eight companies, the practice is to call plant executives to the purchasing office or to a conference room rather than to send the salesman into the plant for the interview when such contacts are desirable.

Permission for the salesman to enter the plant, where that procedure is allowed, must be granted by some responsible official. In 61 of the 128 companies permitting visits, that permission can be secured from the purchasing department only. (One company notes the exception that machinery salesmen are permitted to contact the master mechanic direct.)

In 47 other companies, the Purchasing Agent is one of several officials authorized to grant such permission. Within this group are instances that range from (1) only the Vice President in Charge of Purchases and the General Superintendent of Motive Power, in the case of a railroad, to (2) the general classification of "Executives or Department Heads."

In the majority of cases, non-employees are required to carry some means of identification and evidence of the proper authorization of their presence. In 35 companies this is in the form of a pass card or slip. In 48 companies it is a tag of distinctive color and shape, which is attached to the visitor's lapel and is prominently

in sight at all times. Fourteen of the companies use a numbered badge. Three use a photograph of the visitor on pass or badge, and two others are contemplating a change to this more positive means of identification.

It is a common practice to use a color code in connection with the tag or badge system, different colored passes being used for admission to different plant areas or departments or, in larger companies, to distinguish between admission to the offices and to the operating departments; also to distinguish between passes issued for a single day and those which are valid for a longer

period, as in the case of a more extended installation or inspection process.

Twenty-eight of the companies use no means of identification for plant visitors, but in 23 of these cases it is required that the visitor be accompanied by some responsible employee of the company, and in 11 cases this escort must be a representative of the purchasing department. The requirement of having someone from the company with the visitor at all times is quite general, even with a pass system in effect. BY STUART F. HEINRITZ. *Purchasing*, January, 1941, p. 35:4.

Invisible Ink Identifies Employees

COMPANIES engaged in fulfilling national defense contracts may be interested in a unique system of employee identification developed by the Hall Laboratories for Lighting Research, Boston. This new method eliminates the necessity of using badges or pass cards.

It consists of stamping the identification on the back of the hand or forehead with a rubber stamp that makes use of an invisible marking ink which becomes visible only when exposed to ultraviolet or "black" light. There is no visible mark that can be copied or otherwise counterfeited. Inks of a permanent nature, or inks that can be quickly eradicated, can be used if desired. These special inks are not only invisible but are non-transferable, perspiration-proof, and will resist ordinary washing, according to the Hall Laboratories.

By the combination of invisible "black" light and invisible marking inks, assurance is thus provided that persons seeking illegal entry to the premises will be quickly detected.

—*Industry* 1/41

Age Levels of the Unemployed

THE Bureau of Employment Security reports that of the five million workers registered in April, 1940, almost one and one-half million or 27 per cent of the total were 45 years of age or over. Different classes of workers, however, showed different age levels. In the skilled occupations, for instance, 41 per cent of the registrants were older workers; in the semi-skilled group, only 22 per cent. Of the skilled workers who could hold war-industry jobs, at least a third had passed their forty-fifth birthday. In some occupations, including molding, tool sharpening, cabinet-making and construction work, oldsters made up at least 50 per cent of all Employment Service registrants!

—*Vocational Trends* 12/40

Marketing Management

Compensating the New Salesman

THE problem of paying the new salesman is one of the most difficult facing sales executives. Numerous compensation plans are used, including straight salaries, commissions, bonuses and combinations of all three, plus complex arrangements for profit sharing, not to mention various point systems. Inexperienced men aspiring to sales work, however, are usually paid a small starting salary to which is added other compensation incentives as the new man advances in the sales organization. Experienced salesmen, on the other hand, are often started with a straight commission, drawing account or other type payment plan.

Starting wages for inexperienced men usually begin at \$15 a week and run as high as \$80 a week for experienced salesmen, according to 50 sales managers questioned in a Babson Institute survey. The average initial salary paid men for all types of first sales jobs is \$25 a week.

The highest starting wage is paid to salesmen of individual consumer goods, who receive an average weekly income of \$27.85 in their first sales jobs. As many beginning salesmen of consumer goods are immediately assigned a territory and are given full responsibility for sales, their compensation is accordingly higher than that paid men started in clerical or factory work. On the other hand, the lowest-

paid embryo salesman was reported by a wholesale food concern which starts salesmen at \$20 a week.

The starting wage of future salesmen of industrial goods averages \$23 a week. As many concerns selling to industry start salesmen in the factory, at the drafting board, and in clerical work, the initial wage corresponds to the elementary character of the starting job.

Salesmen of public service organizations are paid a starting average wage of \$25 a week for office work as clerks, messengers or telephone salesmen.

Educational Requirements

Higher education is not necessary to the success of salesmen of individual consumer goods and services, according to sales executives in these lines. Only one out of every 30 employers of salesmen of individual consumer goods requires college graduates. About 50 per cent require applicants for sales work to have a minimum of a high-school education. And one-third of all executives in consumer-goods lines have no minimum educational requirements. They will accept men for sales work who have not completed grammar school.

Sales managers of organizations selling industrial goods, on the other hand, consider that higher education is vital to the success of salesmen of technical lines. About 80 per cent of all manu-

facturers of industrial goods require that applicants for sales work be graduates of an approved engineering college.

Sales executives of individual consumer goods companies who were questioned were generally of the opinion that college training fails to equip a young man with the personal qualities and the information necessary to success in sales work. They believe that college training gives many young salesmen a false impression of their ability and worth to their employers.

The Terminal Sales Job

The job of senior salesman is the highest position reached by salesmen in about 98 per cent of all sales organizations surveyed. While a few salesmen are promoted to field supervisory and line executive jobs and even to headquarters administrative positions, the limited number of these positions available as well as the few salesmen interested in or equipped for

executive or administrative work makes the position of senior salesman a terminal job in most sales organizations.

In a national sales organization, only one out of every 22 salesmen can hope to advance to a sales supervisory position. Five-sevenths of the senior salesmen employed by a large manufacturer of office appliances are never advanced to executive positions. In small sales organizations, the opportunities for promotion are more limited than in larger concerns.

In many sales organizations the position of senior salesman is one of choice rather than necessity, as many successful salesmen prefer to remain in sales work rather than assume additional responsibilities for sales supervision and executive sales work. From the standpoint of earnings, many salesmen receive a greater income than sales executives and for this reason prefer to remain in the field selling. BY BERTRAND R. CANFIELD. *Printers' Ink*, December 20, 1940, p. 36:4.

Some ABC's About Tests for Salesmen

THE purpose of this article is to throw some light on the use of psychological tests in selecting and appraising salesmen.

The one sound basis for hiring a salesman should be that he is fitted for selling by inclination, personality and aptitude. Yet almost every standard except this most natural one has been used in measuring applicants for sales jobs. Men who would have been hap-

pier and more prosperous in other fields of activity struggle all their lives as salesmen. Their employers bear heavier sales costs through having so great a proportion of the wrong men on their sales forces. Certainly there are many economic motives for using psychological tests.

In all cases, these are the qualities and traits for which salesmen are tested: mental ability, stability, dom-

inance, aggressiveness, initiative, sales interest, and sales instinct or knowledge. Additional tests may be necessary for some types of work.

Mental Ability

Test used: Otis Self-Administering Test of Mental Ability; copyright by World Book Co., Yonkers, N. Y.

The Otis Test gives a good, clear picture of mental ability. This is essentially a time study. Men are rated by number of correct answers they can give to questions within 20 to 30 minutes.

To establish the speed of thinking required for any type of selling job, each company should take a cross-section test of its own salesmen. The range of mental ability most desirable should be found among the groups of the more successful producers. It must be remembered that there is no such thing as a "passing" or "failing" mark. Thus if sales executives hesitate to give a mental ability test to their salesmen for fear they would not answer "correctly," they are acting under a misconception. The fact that their successful salesmen may score a low (or a high) rating is the very information that is wanted. Indeed, it has been found that, in some industries and types of selling, the less brains a salesman has, the more successful he will be.

Personality Traits

Test used: The Bernreuter Personality Inventory; copyright by the Board of Trustees of Leland Stanford Jr. University.

The Bernreuter Personality Inven-

tory is a measurement of many things for different psychologists and even psychiatrists. Thus it is important to define the traits and qualities which distinguish the successful salesman. These are: emotional stability; dominance; aggressiveness; initiative.

There are 75 questions to this test. They are answered by "no" or "yes" or a question (?) mark. The questions are grouped, though not obviously so, for classification as well as for checking and counter-checking the integrity of the answers. The applicant may, at the start, decide to answer in the way he thinks his superiors would like him to; yet before he gets far along he is really giving honest answers.

In a very rough, but possibly adequate, way, a sales executive can determine for himself the range of personality traits that new applicants should have by taking a cross-section test of his entire organization.

Sales Aptitude

Tests used: Verne Steward's Vocational Interest. Short. 15 questions.

Re-examination (or may be used originally): Strong Vocational Interest Test.

In selecting the test to be used for measuring sales aptitude (or interest), sales executives will find Verne Steward's test the more convenient one, in that it is short. On the other hand, the Strong Vocational Interest Test is more authoritative. The difficulty is that the Strong test forms contain several hundred questions, the answers to which are compared with the outstanding interests of successful men in vari-

ous occupations, jobs and professions. In experiments made under the writer's observation, Steward's test was the one given, with the Strong test used for re-examination and restudy where there were elements of doubt.

Sales Instinct

Test used: "How Perfect Is Your Sales Sense?", by Bertrand R. Canfield, of the Babson Institute of Business Administration. Originally published in the October 10, 1938, issue of *Sales Management*.

There are 50 questions in the Canfield test. These questions measure the sales sense or instinct and knowledge of a man. They do this whether he be 21 and inexperienced or of mature age and with vast experience. Age has been neither a handicap nor a barrier nor an advantage in the testing done to date. Also, through the Canfield test, the sales executive may be enabled to diagnose weaknesses and strengths of his salesmen in their sales procedures and techniques.

* * * *

All tests described in this article are standard, printed forms. They are

available from their publishers or distributors at low cost. Instructions for applying and scoring them may also be obtained from the publishers or their distributors. The men to be examined answer the questionnaires in writing.

The procedure in the application of the tests is simple. Companies buy the tests; follow the instructions; hand them out to be answered; score them according to the instructions.

Yet, from that point on, it isn't so simple. The values of the tests lie in the interpretations, inferences, analyses and setting-up of the standard formula. This requires vast experience in handling tests under a variety of conditions. There are variables which only a trained and experienced man can properly calibrate.

Selection of new salesmen is but one use for psychological tests. They should be utilized for diagnosing fundamental weaknesses in the traits and qualities of the salesmen presently employed. They can also be applied to great advantage in corroboration of decisions on promotions and dismissals.

BY JACK KLEIN. *Sales Management*, September 1, 1940, p. 25:4.

AMA MARKETING CONFERENCE

The Annual Conference of the Consumer and Industrial Marketing Divisions of the American Management Association will be held on Tuesday and Wednesday, April 22-23, at the Hotel Roosevelt, New York City.

Financial Management

Competitive Bidding vs. Private Placement

THE government's increasing concern in requiring competitive bidding in the capital market and the coeval trend in that market toward private placement of securities issues are necessarily of the deepest interest to American investors and the managers of capital. In no quarter has the interest been more anxious than among the life insurance companies, which must find work for large sums deposited with them by over half the population of the United States.

An investment counselor for one of the small insurance companies has stated the case in this manner:

Competitive bidding. 1. When corporate issues are hard to obtain, investment firms without previous relation to a borrower are tempted to bid too high for securities. If the market is made to absorb the cost, there is a greater chance for loss to the investor.

2. The argument that competitive bidding is justified by its use in selling municipal bonds and equipment trust issues lost strength "when only a few years ago New York and Newark, having thus impaired their credit, had to call in bankers to restore that credit."

3. The system reduces the investment banker's sense of responsibility toward the investor. Quick merchandising must follow, which produces a minimum of preliminary study and of interest in the subsequent fate of the issue. It is doubtful whether the SEC,

when quick sales are required, can adequately police the investor's interest in the time allotted.

4. Only through long and intimate association with a given financial situation can the soundest bases for flotations be found for the borrower. The value of an issue is enhanced when it is placed through a house which has a reputation for high-grade dealing and fair pricing and is known to be wholly familiar with the situation of the borrower.

Private placement. 1. This has become a general practice since the enactment of the Securities Law of 1933, because issues thus sold are widely regarded as exempt from SEC registration requirements. That is achieved by confining purchases to a very small group, rarely exceeding 15.

2. No opportunity is given to general investors to buy these choice securities, and there is thus set up an immense preserve of the best investments. The aggregate of such placements in 1935-39 inclusive was more than \$2,500,000,000. The proportion of private placement to total bond and note financing for the five-year period was: 1935, 15.8 per cent; 1936, 7.1 per cent; 1937, 17.1 per cent; 1938, 39.3 per cent; 1939, 43.7 per cent.

3. Of these, 66 per cent of the total was acquired by the five largest life insurance companies and another 12 per cent by the New York City com-

mercial banks. In that period general investors were barred from participation in choice refundings amounting to \$1,248,000,000.

4. Private placement, in addition to denying choice investment of lesser insurance company funds, denies it to millions of savings-bank depositors, 800 educational institutions, individual trust funds, and hospital and religious endowments.

One of the advantages of private

placement is that it cuts down the cost of borrowing. But it tends to monopoly of prime credit in a few large buyers, and that is one of the faults found by the TNEC. Perhaps if the SEC should broaden its definition of what is a "public offering," and base decision as to competitive bidding on the facts in each case, the criticisms listed above would lose their foundations. BY ARTHUR KROCK. *The New York Times*, February 6, 1941.

Bookless Bookkeeping

THE Signode Steel Strapping Company, of Chicago, maintains no general ledgers, and no private, receivable or payable ledgers. Seven years ago, faced with a declining budget for office operations and an increasing demand for records, reports and statistics for management and government, the company set out to eliminate all clerical operations whose value did not justify their cost.

Prior to this time the common practice had been followed of writing up a customer's order on shipping papers. A great many records were kept to insure prompt and proper handling of each order, and to provide that if an order got lost a copy of the needed information was available. Now, however, when an order is received, the date and customer's order number are inserted on the customer's order card, then the name is merely recorded in a register and a number assigned to it.

A "dispatch sheet," providing space

for shipping and billing information, is attached to the original order, and the order is transmitted to one of the company's warehouses for shipment. No copy of the order is kept, but it must be returned to the order clerk within a prescribed period—varying from a few hours to two days, depending upon the location of the warehouse.

From the original order an invoice form is prepared. Invoicing is done by the aniline ink process. The duplicating machine used is a gelatin type, electrically operated, with automatic sorting table to distribute the various copies of the invoice. The master copy goes to the accounts receivable clerk and becomes a part of the accounts receivable open file. Extra copies are made for customer, salesman, commission clerks, sales tax desk, and for special analyses. The pegboard method of distribution is used for analytical purposes, proving faster and more economical for this company than the

punch-card system previously employed.

As stated above, the master copy of the invoice becomes the accounts receivable ledger, and no posting is made from it. The total of the day's invoicings becomes a charge to the control of accounts receivable. As the invoice is paid, it is extracted from the accounts receivable file. The daily total of invoices extracted constitutes the detail of the summary credit slip to accounts receivable.

A study of accounts revealed that only a small percentage of customers used the monthly statement for any purpose, and consequently issuance of these statements was for the most part discontinued. This concern receives few partial or instalment payments, so another problem is eliminated. When an invoice becomes past due, the master is extracted from the file and a copy run off and stamped: "This invoice is past due. Will you kindly remit or advise the reason for its non-payment." A high percentage of past-due accounts are cleared up at this first step. No lengthy correspondence is involved, and claims that invoices have not been received are obviated.

Procedures and classification of accounts have been revised so that accounting reports can be prepared with a minimum of "put and take" work. Wherever possible, totalized data is entered directly to the report. Regular accounting reports are prepared monthly, and consist of the balance sheet and the profit-and-loss statement—both in condensed form—together with supporting schedules. These re-

ports are in effect the company's general ledger and trial balance, being supported in detail by the various debit and credit slips retained in the accounting files.

All papers which eventually result in a debit or a credit to the accounting records are prepared in a standard size with a standard heading. These clear through the various accounting operations and are filed according to account number. At the end of the month a crew of adding-machine operators is put to work on these slips, and the totals are posted directly to the final report. This is in a form suitable for permanent record. After debit and credit charges have been totaled, they are photographed by the Recordak process for permanent record, and the films are filed in a vault. Since 1935 it has never been necessary to refer to this photographic record, as all debit and credit slips have been found in their proper files.

Attempts are made at every point to have the original source of information serve as the accounting department record. For example, the salesman prepares his expense report on a special form, which not only is used in drawing his check, but becomes, without posting, the debit and credit entry in the accounting system. Suppliers' invoices when received are copied on special forms. These in effect become simultaneously the supplier's notice of remittance, the inventory record, the accounts payable voucher, and the accounting entry. There is no cash disbursements journal. A check register records the check number and the

number assigned to the notice of remittance.

These are some of the advantages claimed for this revised bookkeeping system:

1. Reduction of accounting costs by at least 50 per cent.
2. Complete elasticity in procedure.

3. Reduction of clerical errors to a minimum.

4. Ability to complete financial reports within five working days from the close of the month.

5. Great ease in analyzing accounts.

BY JOHN L. VOGEL. *The Controller*, September, 1940, p. 306:3.

What Stockholders Are Thinking

TO get a concrete picture of the stockholder's idea of what stockholder-company relations should be, a questionnaire was recently devised and distributed by the Policyholders Service Bureau of the Metropolitan Life Insurance Company. Replies were received from 71 stockholders.

The 71 respondents represent a large variety of occupations. About two-thirds of them have never attended an annual stockholders' meeting, mostly for one of three reasons: (1) the time and place are inconvenient; (2) their holdings are too small; and (3) they would not feel welcome.

About a third of those who have attended annual meetings have ideas for their improvement. The dominant opinion is that participation of stockholders in discussion at the meeting would do more than anything else to lend interest to the meeting. About half of the stockholders consulted think they would go to the annual meeting if the time and place were convenient.

Most stockholders would like to see movies or slides of the properties and operations of the companies in which they own stock, and most of them would like to visit the plants. About two-thirds would like to attend regional meetings if not held in business hours.

Most stockholders read the annual report, but not all of them understand it. They want simple, non-technical reports. Another group, familiar with accounting concepts, wants more detailed information, particularly on operations. There is also a demand for more information on products, labor relations, operating problems, problems arising out of legislation, company prospects, etc.

There were also requests for reports that are easier to read and more interesting, and for charts and graphs to facilitate the reading.

About a third of the stockholders have written the companies in which they held stock, and two-thirds of them reported receiving satisfactory answers.

Over a third of those offering suggestions seem to feel that there is something lacking in the relationship between management and owners, either in frankness or in some more or less intangible spirit. Another group of stockholders believes that the personal contacts of stockholders' meetings could be made the greatest force possible for the promotion of stockholder understanding and good will.

—*Improving Stockholder Relations* (Policyholders Service Bureau, Metropolitan Life Insurance Company)

Insurance

Broader Liability Coverage

A PROGRAM of comprehensive liability insurance has been announced by the National Bureau of Casualty and Surety Underwriters for all states excepting Arizona, California, Idaho, Nevada, Oregon, Utah and Washington. The policies available under this program provide broader protection at the lowest possible cost.

The essential differences between these new comprehensive liability policies and the regular forms written heretofore are: They insure against liability for all hazards not specifically excluded; the insurance afforded applies automatically and without notice to the company to almost anything the insured may do during the policy term; and they fill in such gaps as may be left when specific hazards and operations are insured. The new policies are of the single insuring clause type, whereas the standard forms of separate and schedule policies insure specifically described operations or hazards selected by the insured.

Under the new program, a complete survey of all existing and anticipated hazards will be made on each risk prior to issuance of a comprehensive policy which will insure against liability for such hazards as well as all other hazards which may develop during the policy term and which are not specifically excluded. The initial premium is based on the hazards dis-

closed by the survey, and adjustment is made by audit each year to determine the hazards which actually existed.

The advance premium is obtained by applying the rules, classifications, rates and minimum premiums contained in the manuals to the insured's existing exposures in the regular manner. The resulting total premium is then increased by 1 per cent, which is the additional charge for the comprehensive feature of the insurance. The advance premium is subject to credits for current policies, if any, according to the method used in handling current policies.

The advance premium is also subject to adjustment by determining the earned premium on the basis of an audit of all insurance afforded during each year. The total earned premium is then increased by 1 per cent, the results being subject to premium credits for current policies, if any, as in the computation of the advance premium.

To obtain a comprehensive automobile liability policy, one must be willing to insure his complete automobile liability for both bodily injuries and property damage for all owned automobiles, hired automobiles (including automobiles of independent contractors), and employer's non-ownership. There is just one insuring clause for bodily injury liability and another for property damage liability. The insurance applies automatically

without notice to the company to all automobiles operated by or for the insured for any purposes. However, notice must be given within 10 days if any owned or hired automobile is used beyond the limitations of any restricted-use endorsement or is used as a taxicab, public bus, public or private livery conveyance, or in the business of trucking for others, unless the insured was engaged in such operations at the time the survey was made.

The comprehensive general liability policy has one insuring clause for bodily injury and another for property damage liability. This insurance is subject to the standard exclusions with respect to (1) watercraft, automobiles and aircraft, and (2) workmen's compensation and employer's liability, and does not apply to (3) liability assumed by the insured under any contract or agreement other than warranty of goods or products or, if in writing, a lease of premises, easement agreement, agreement required by municipal ordinance, sidetrack agreement, or elevator or escalator maintenance agreement, and (4) damage to a) property owned, occupied or used by or rented to or,

except with respect to the use of elevators or escalators, in the care, custody or control of the insured, or b) any goods or products manufactured, sold, handled or distributed by the named insured or work completed by or for the named insured, out of which the accident arises.

In consideration of appropriate premium charges, the foregoing exclusions of watercraft and damage to property (other than owned property) may be eliminated by endorsement, and written agreements other than those enumerated may be insured by endorsement if specifically described.

To obtain a comprehensive general liability policy an insured must be willing to insure his liability for bodily injuries in connection with all hazards excepting product and contractual liability, which are optional and may be excluded by endorsement. All property damage liability insurance is optional, but if an insured desires such insurance on a comprehensive basis he must be willing to insure all hazards except product and contractual liability. *The Journal of Commerce*, January 20, 1941, p. 3:2.

Relating Wages to Company Earnings

INCENTIVE plans that relate salaries and wages directly to company earnings are finding an increasing number of proponents in the manufacturing industries. To the list of concerns which have recently adopted this form of compensation, add the Joseph Dixon Crucible Company, Jersey City, whose employees will share in 1941 earnings under a "salary and wage dividend plan."

Whenever a 1941 dividend is declared on the company's stock out of current earnings, for each 1 per cent dividend declared, additional compensation, to be known as a salary and wage dividend, is to be paid to each employee in the amount of 6 per cent of salary, wages or commissions earned by such employee during the quarter in which the dividend is earned and declared.

All employees actively engaged in the company's business will benefit.

—*Factory Management and Maintenance* 2/41

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

Clerical Incentives

Question: What specific clerical tasks may be paid for on a measured-production basis? Why are office incentive plans not more generally used?

Answer: A survey covering these points was conducted in 1940 by Mr. L. H. Brigham, American Optical Company, for the National Office Management Association. The 116 companies included in this study employ a total of 46,555 office workers, and range in size from a small concern with 18 workers to two organizations employing between 2,500 and 3,000 office workers.

Only 28.3 per cent of these companies employ any standards at all on clerical operations, and the number of employees who are on measured-production standards constitutes only 5.6 per cent of their total office personnel.

The following table shows the jobs on which measured work production incentives are used:

Operation or Job	Number of Companies	Total No. Employees on Specific Work Classes
Machine Transcribing and Copy Typing	28	830
Addressograph, Tabulating, etc., Machines Operation	10	183
Sorting-Posting	4	164
Billing	15	156
Filing	10	124
Calculating	9	122
Enclosing, Addressing, Sorting, Stamping Outgoing Mail	5	102
Records Maintenance	1	97
Card Punching	5	62
Checking	4	55
Statistics	2	47
Duplicating Work (Letter and Form)	3	46
Order Entering	4	45
Reconciling	1	11
Bookkeeping and Costs	1	11
Policy Writing	1	9
Proofreading	1	8
Pricing	1	5
Tape Listing	1	4
Miscellaneous Operations	10	514
Total		2,595

The reason most frequently given for the absence of work standards is the difficulty of establishing such standards in the office. A number of companies measure various kinds of work and keep records of the amounts for control purposes, but do not take the subsequent step of setting up standards. Mr. Brigham quotes the secretary of a large insurance company which pays about 30 per cent of its employees on a measured-production basis and is adding about 40 clerks a year to this group:

"I believe that the principal reason why most companies do not have more people on a measured-production basis is that getting them there is a slow process. As soon as one tries to hurry it, inaccuracies crop up which invalidate the system. *Few companies are willing to put the time, energy and expense into management problems that detailed studies of this kind entail.*"

The Office Management Division of the American Management Association considered this question at its 1938 conference. Methods study in a bank was described by Mr. John T. Sinkey, Assistant Treasurer, Central Hanover Bank and Trust Company, and the general subject of work simplification in the office was discussed by Allan H. Mogensen. These papers were published in *Office Management Series No. 82*.

Model Vacation Policies

Question: What cognizance is being taken in wage earners' vacation plans of such factors as length of service, effect of absence on continuity of service, calculation of pay for workers on bonus, etc.?

Answer: There is such diversity of policy respecting vacations for factory workers that it is impossible to generalize on these points. However, the following plans cover specific conditions in such useful detail that they have been quoted in full.

Company A

Annual vacations with pay are allowed all employees hired on a regular, full-time basis.

General factory employees are entitled to one week's vacation after a year of continuous service, and two weeks' vacation after five years of continuous service. If they have not actually worked nine months in their first year of continuous service, they will qualify under the vacation plan when they do complete nine months of actual work.

"No lost-time or overtime" employees are entitled to two weeks' vacation after a year of continuous service; but they may take one week at the end of six months' employment and the second week at the end of a year's employment. In subsequent years, these employees may take two weeks' vacation annually.

Each department and plant, where possible, will discontinue production operations during one designated week. In all cases where such a vacation shutdown takes place, all eligible employees of that department or plant whose services are not required during the shutdown will be expected to take a week of their vacation during the vacation-shutdown week.

Effect of Absences

In determining the vacation eligibility of employees, after they have once qualified under the plan, absences of not more than six months' continuous duration, due to illness, accident, leave of absence, or layoff on account of slack work, will be disregarded, and vacation allowances will not be reduced because of such absences. In calculating length of continuous service, layoffs on account of slack work not exceeding six months will be disregarded, and absences on account of illness or accident will be disregarded even though they may exceed six months.

In case an employee is absent on account of illness, accident, or approved leave of absence at the time his vacation would otherwise begin, the vacation may be postponed, provided arrangements can be made in consistence with departmental requirements. If illness or an accident occurs during vacation, the remaining part of the vacation cannot be postponed. Should the employee be unable to return to work at the end of his scheduled vacation by reason of illness or accident, he will, commencing with the time when he was scheduled to return to work, be considered absent on account of illness. The sick-benefit waiting period will begin at that time.

Vacation pay will be allowed employees who are laid off on account of slack work or who retire, and to women employees who leave on account of marriage, provided that such employees are otherwise eligible for vacations at the time of leaving. Employees whose connection with the Company is terminated for any other reason prior to the scheduled vacation time are not eligible for vacation pay.

General Provisions

Six months must elapse between yearly vacations. Payment of wages to active employees will not be made in lieu of vacations. Vacations cannot be accumulated and cannot be split to less than one calendar week. Exceptions to these rules can be made only if they are amply justified and if they are approved by the management.

Vacations may be assigned at any time between January 1st and December 31st. The assignments will be determined by department heads as early as possible each year. Only in case of an emergency or of other unforeseen conditions will the assigned vacation times be changed. Company and departmental requirements must be given first consideration in scheduling vacations, but the preferences of employees will be taken into account so far as possible in determining vacation assignments.

Company B

Vacations will be allowed during any month of the year except March and October.

All employees on the trimonthly payroll who were in the service of the Company on or before June 30th of the previous year shall receive one week of vacation with pay.

All employees on the trimonthly payroll who were in the service of the Company five consecutive years prior to January 1st shall receive two weeks of vacation with pay.

Trimonthly payroll employees who have a continuous absence without pay of 91 days or more, or who receive accumulative benefit payments for 91 days or more, in a calendar year, shall not receive any paid vacation during the succeeding calendar year.

Trimonthly payroll employees who receive one week of vacation with pay shall not lose more than one attendance bonus. Those receiving two weeks with pay shall not lose more than two attendance bonuses.

Trimonthly payroll employees who are transferred to the period or monthly payroll on or prior to January 1st shall receive two weeks of vacation with pay during the calendar year succeeding the transfer, except:

That those who are originally employed between July 1st and January 1st of the year during which the transfer is made, shall receive one week of vacation with pay during the calendar year succeeding the transfer and two weeks thereafter.

All employees on the monthly or period payroll who entered the service of the Company on that type of payroll on or after July 1st of the previous year shall receive one week of vacation with pay.

All employees on the monthly or period payroll who entered the service of the Company on that type of payroll on or before June 30th of the preceding year shall receive two weeks' vacation with pay.

Monthly and period payroll employees who have accumulated a total of twenty-two (22) working days of absence with pay during a calendar year, or period payroll employees who have any continuous absence of more than 91 days within a calendar year, will not be eligible for any paid vacation during the succeeding calendar year.

To receive pay for vacations, it is essential that employees be present the entire day preceding and the entire day succeeding the vacation period allotted unless a Leave of Absence has been previously granted by the Employment Department.

Time workers will receive base rates of pay for vacations.

Individual production and group production operators will receive vacation pay based on base rates of pay plus their average hourly bonus earnings.

Sliding-scale bonus operators will receive vacation pay based on their average hourly earnings.

Vacations with pay shall not be allowed to run concurrently with any absence for which Group Health and Accident Insurance benefits are paid.

Wherever possible, vacation dates will be allotted within departments according to length of service, the employee having the longest service record receiving first choice. Employees will receive written notification of vacation dates from the Employment Department.

Employees not eligible for vacations but wishing to take vacations without pay should apply to the Employment Department for Leaves of Absence after having received the approval of the Department and Division Heads.

Expense Account Practices

Question: Is it common practice to make a definite allowance per day on salesmen's expense accounts? Also, what is the usual policy with reference to allowing expenses for entertaining customers?

Answer: Of the companies contributing to *Sales Management's* 1940 survey of salesmen's expense account practices, 51 have set a maximum daily expense allowance, 22 do not set any limit for expenses in large cities, and 25 do not set a limit for expenses in small cities.

Where limits have been set, they vary widely in the same industries, ranging from \$3.50 per day to \$15.00 in large cities and \$3.00 to \$12.00 in small cities.

Allowance for entertaining customers is given by 47 companies, and in 22 cases the amount is limited. Twenty-eight companies do not make any such allowance. There is no standard practice by industry, except in the heavy-goods field where every company except one makes an allowance for entertainment.

Survey of Books for Executives

Sales Engineering. By Bernard Lester. John Wiley & Sons, Inc., New York, 1940. 200 pages. \$2.00.

The author of this study has succeeded admirably in his attempt to place before the younger sales engineer the principles and practice of sales engineering, to indicate to him the growing importance of his already important work, and to suggest the opportunities for him in present-day society. The volume is rightly intended also for the experienced sales engineer who desires to appraise and improve his present sales methods, as well as for the many highly technical engineers whose usefulness can be broadened by a better knowledge and tolerance of purely sales considerations and technique.

Though the book is extremely brief for the scope of the subject matter, the reader is not conscious of any omissions or any hasty treatment of even minor factors. Your reviewer kept beside him a list of subject headings covering the industrial sales field, augmented by a long check-list of topics familiar in consumer sales work, and when the 200 pages were finished all the items had been checked off.

Particularly effective is the treatment of the necessity of maintaining the proper balance between the techni-

cal and human forces in the sales engineer's work. All too often a sales engineer knows his product but has neglected to study his market or to develop proper personal relationships with individuals important to him in it. Or frequently he may be familiar with his territory and friendly with those who provide his sales opportunities, but may not be sufficiently expert in his product to capitalize on this acquaintance. He may be mentally or temperamentally inclined in the one direction or the other. The author considers in detail the dual process of achieving the requisite effectiveness in both fields simultaneously—certainly the most difficult problem the young sales engineer encounters.

Happy indeed, in a treatise intended for young technical graduates, is a wholehearted recognition of the fact that, once the ability of a product to perform its primary function becomes known and accepted, the basis of choice turns on other considerations such as convenience, comfort, and beauty. The author urges the sales engineer to give due attention to these often non-technical but frequently essential factors.

The reader, regardless of how aware he may feel of the advances and im-

plications of the machine age, will acquire a fresh view of the growing importance of the machine and the rapidly mounting equipment investment per person in the factory, home and elsewhere. The author likens the purchase of a machine to the hiring of a man for life, and he very effectively impresses upon the sales engineer his responsibility for aiding his customer in wise investment.

The work is excellently arranged for reference or study. In most instances a statement of principle is followed immediately by a detailed case illustration, which process enhances the book's value as a text, particularly where the student has not yet had field experience. In addition to those for whom the book is specifically intended, other salesmen and sales managers in both the industrial and consumer field will find it extremely helpful. It is also highly commended to those interested in market research.

Reviewed by L. R. Boulware, Vice President and General Manager, The Celotex Corporation.

The Control of Business Cycles.

By John Philip Wernette. Farrar & Rinehart, Inc., New York, 1940. 197 pages. \$1.75.

The purpose of Professor Wernette's study is to present the general problems involved in achieving and maintaining prosperity and to encourage business men to give more careful consideration to instruments of control. The point of view taken is "that gen-

eral business fluctuations occur through fluctuations in spending, and that control involves, therefore, controlling the rate of spending"; and that mass opinion is central. "If it were generally believed that prosperity would not return until there was an eclipse of the moon, we should probably have to wait for an eclipse."

Even though control schemes may appear to present almost insurmountable difficulties, the author believes that experimentation will ultimately make never-ending prosperity possible. He thinks that the problem is too complex for us to pin our hopes on any one control scheme, but that several should be experimented with in combination. He advocates monetary control by the Federal Reserve Board, government deficits in depression, and a variable tax on money. The tax on money holdings, rising in depressions, is thought to make people spend at a faster rate. Although Professor Wernette fails to mention it, Mr. A's giving Mr. B a \$100 check for Mr. B's \$100 check would seem to satisfy the spending requirement of a money tax without getting us anywhere. Wernette comes near to advocating a multiple commodity reserve for money, although no reference is made to Benjamin Graham's work (notably "Storage and Stability").

Perceiving the necessity for a variation in the rate of progress, but no need for absolute decline in business conditions, Professor Wernette finds a distinction between prosperity and boom quite essential. Prosperity is to be maintained and boom is to be

avoided. Confusion of the two the author marks with contempt as an "Augean stables" theory. In practice, however, he goes only so far as to hold that all essential deflation was completed at latest by the end of 1930, a position much more widely accepted than Wernette implies, with one exception: the impossible Austro-German credit position in 1931. Strangely enough, Wernette does not find the blowing up of German credit worthy of mention. If anyone feels that we experienced a hands-off policy in respect of control measures in the autumn of 1929 and in 1930, let him examine the record closely.

Wernette is a little fearful that the gold standard may at times obstruct attempts to achieve prosperity. He holds that people as a whole can never hoard. He defines hoarding as "an excess of a person's money re-

ceipts over his money outlays, so that his money stock is increasing." But since the total amount of money varies a good deal, hoarding does occur for people as a whole.

The central position assigned to spending as opposed to production makes Wernette's book somewhat one-sided. He surveys problems we faced up to 1938, and this might seem out of date in the light of new problems confronting us today. Change in fundamental problems, however, is easily overemphasized. Wernette's work is marked with sincerity and is challenging. Whatever else must be said, his attempt to discover how prosperity can be achieved and maintained is a contribution to the literature on the subject.

Reviewed by Elmer C. Bratt, Lehigh University.

Briefer Book Notes

THE 1940 MENTAL MEASUREMENTS YEARBOOK. Oscar Krisen Buros, Editor. The Mental Measurements Yearbook, Highland Park, N. J., 1941. 700 pages. \$6.00 (10% discount when ordered from publisher). Two hundred and fifty psychologists, subject-matter specialists, teachers, and test technicians have cooperated in making this 700-page volume available to test users by contributing frankly critical reviews of standard tests. The 1940 Yearbook contains 512 authoritative reviews of tests at all age and school levels in the following fields: achievement batteries, character and personality, fine arts, foreign languages, intelligence, mathematics, health education, home economics, industrial arts, reading, science, social studies and vocational aptitudes. It also includes the critical portions of 856 reviews of tests and books on testing from 178 American and foreign journals.

TAKING THE MERCHANDISE INVENTORY. By James J. Jackson. Chemical Publishing Co., Inc., Brooklyn, N. Y., 1941. 262 pages. \$4.00. This manual outlines the fundamental principles and procedures of the physical inventory as a basis for the financial reports and other data used in the operation of modern business. It is primarily a guide for the executive who finds himself confronted with the problem of taking an accurate physical inventory in limited time and at minimum cost.